

**PUBLIC DISCLOSURE**

OCTOBER 10, 2001

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**ALPHA CREDIT UNION**

**ONE DEACONESS ROAD  
BOSTON, MA 02215**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Alpha Credit Union prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

**INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory".**

This examination was conducted utilizing three performance criteria for industrial institutions: 1) Average Loan to Share Ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending.

The credit union's average loan to share ratio of 53.6% for the current examination period is determined to meet standards for satisfactory performance.

Lending to borrowers of different incomes was found to exceed the standards for satisfactory performance due to the excellent percentage (59.7%) of loans granted to low and moderate-income members.

Fair Lending was found to be satisfactory.

Finally, consideration was given to the credit union's proactive stance with regards to credit counseling and the restructure of loans among credit union members.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Alpha Credit Union is a state chartered credit union serving the employees and retirees of Beth Israel Deaconess Medical Center (BIDMC), Joslin Diabetes Center and Lahey Clinic Medical Center.

As of June 30, 2001, the credit union had total assets of \$11,092,577, with total loans of \$4,830,866 or 43.5% of total assets. The net loan to share ratio, as of the same date, was 51.5%. Currently, automobile loans account for 63.3% of the credit union's loan portfolio, followed by unsecured loans of 23.4%. Loans secured by real estate account for 12.8%, and other loans for 0.5%.

The criteria for the various types of credit offered were reviewed during the examination, as were the procedures for completing a loan application, and no practices intended to discourage applications were found. The credit union originates loans of all amounts, and rates, terms and conditions are competitive with other credit unions of similar size and type.

The credit union has one office located at One Deaconess Road, BIDMC Center in the Longwood section of Boston. Office hours are from 9:30 a.m. to 3:30 p.m. Monday through Friday. Also, the credit union's part time employee visits a site at Lahey Clinic in Burlington twice weekly from 2:00 PM to 4:00 PM on Mondays and 1:30 PM to 4:30 PM on Friday. An automated teller machine (ATM) is available in both BIDMC and Lahey Clinic. ATM cards are available through the NYCE and PLUS networks. The credit union also offers "Debit Cards" through US BANK. In addition, members have 24-hour account access via telephone. Currently, the credit union has 4,100 members.

The credit union was last examined for compliance with the Community Reinvestment Act by the Commonwealth of Massachusetts Division of Banks as of July 22, 1998. That examination resulted in a CRA rating of Satisfactory.

### **Description of Assessment Area**

According to the Massachusetts Community Reinvestment Act Regulation, 209 CMR 46.41, a credit union whose membership is not based on residence may delineate its membership as its assessment area.

Alpha Credit Union's membership constitutes its assessment area and is limited to those employed by the New England Deaconess Hospital Corporation, Joslin Diabetes Center, Lahey Clinic Medical Center and their parent or subsidiary entities.

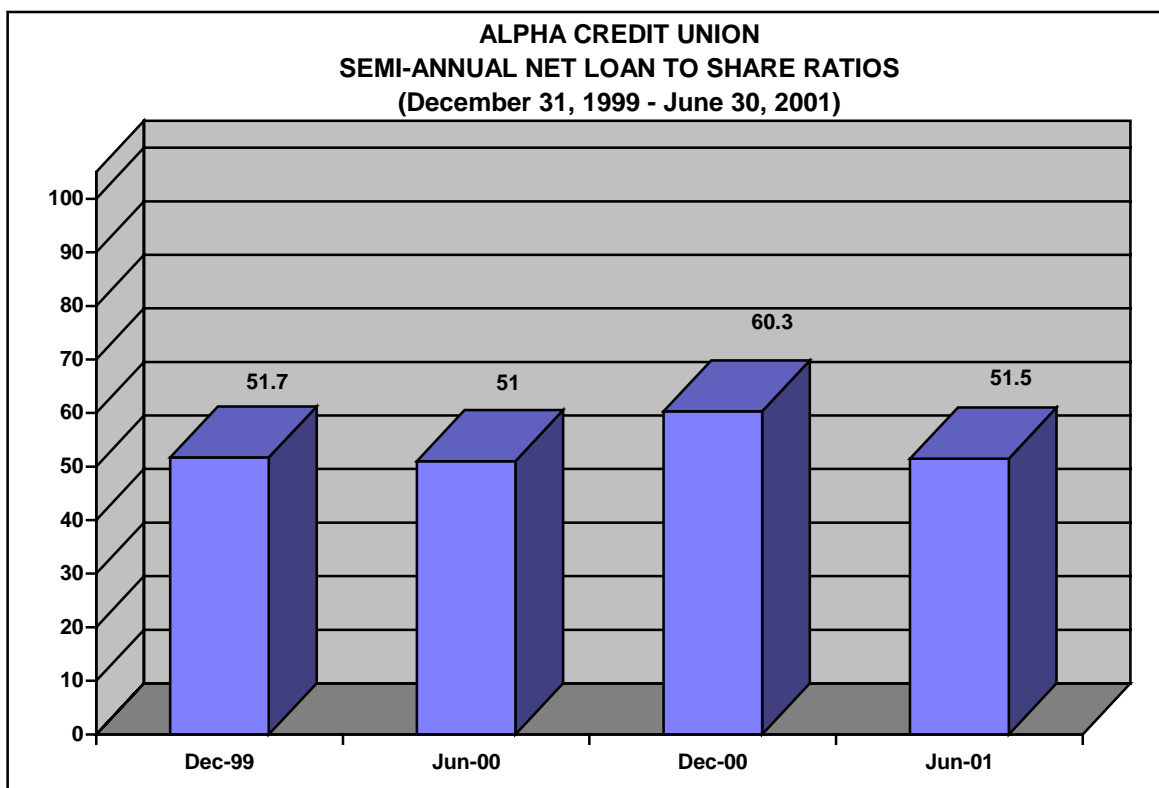
The location of the credit union places it within the Boston Metropolitan Statistical Area (MSA).

## **PERFORMANCE CRITERIA**

### **1. LOAN TO SHARE ANALYSIS**

An analysis of Alpha Credit Union's semi-annual net loan-to-share ratios for the period of December 31, 1999, through June 30, 2001 indicates that the average net loan-to-deposits ratio for this period was 53.6%. This ratio is based on loans net of the allowance for loan losses as a percentage of total shares.

The following graph illustrates the loan to share trends.



As the table above indicates, there appears to have been a spike in the loan to share ratio occurring in December 2000. According to the credit union's management, the "new auto" category increased substantially during the period between June 2000 and December 2000. This was due to a high volume of auto and other consumer loan refinancing encouraged by the institution to help customers having credit difficulty. As a result the refinances significantly increased the loan to share ratio.

Based on the above information and the credit union's capacity to lend, the types of loans available at the credit union, and the lending opportunities available for its membership, the credit union's net loan-to-share ratio is considered to meet the standards for satisfactory performance.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

The second performance criterion examines an institution's record of lending within its assessment area. However, under the revised CRA regulations, 209 CMR, section 46.41, a credit union whose membership is not based on residence, such as the Alpha Credit Union, may define its assessment area as its membership. Since Alpha Credit Union has elected to identify its assessment area in this manner, no geographic analysis was conducted.

## **3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

The third performance criterion evaluates the extent to which Alpha Credit Union lends to members of different income levels within its assessment area. The following analysis of borrower income distribution for consumer loans granted in 2000 and Y-T-D 2001 demonstrates that the credit union's lending exceeds the standards for satisfactory performance.

The Alpha Credit Union extended 853 consumer loans in 2000 and 550 consumer loans through September 2001. The originations include personal, automobile and home equity loans. A sample of 62 consumer loans was taken in order to determine the distribution of credit based on the income levels of the borrowers. The majority of the loans included in the sample were extended to borrowers residing in the Boston Metropolitan Statistical Area (MSA). The originations were categorized by the ratio of the applicant's reported income to the estimated 2000 and 2001 median family incomes of the Boston Metropolitan Statistical Area (MSA), which are \$65,500 and \$70,000 respectively. These income figures are based on estimated Department of Housing and Urban Development (HUD) information.

Low income is defined by the US Census Bureau as income below 50% of the median family income level for the Metropolitan Statistical Area (MSA). Moderate income is defined as income between 50% and 79% of the median family income level for the MSA. Middle income is defined as income between 80% and 119% of the median income. Upper income is defined as income equal to or greater than 120% of the median income.

The information included in the table below indicates that, by number, 21.0% of the loans were made to low-income borrowers and 38.7% were to moderate-income borrowers.

% Area Median Income	2000		YTD 2001		TOTAL	
	#	%	#	%	#	%
<50%	6	20.0	7	22.0	13	21.0
50 –79%	10	33.3	14	43.7	24	38.7
80-119%	9	30.0	6	18.7	15	24.2
120%>	5	16.7	5	15.6	10	16.1
<b>TOTAL</b>	<b>30</b>	<b>100%</b>	<b>32</b>	<b>100%</b>	<b>62</b>	<b>100%</b>

Source: In-house Files 2000 and Year-to Date (YTD) October 10, 2001.

By dollar amount, 15.5% of the loans were made to low-income borrowers and 38.7% were to moderate-income borrowers.

% Area Median Income	2000		YTD 2001		TOTAL	
	\$000	%	\$000	%	\$000	%
<50%	33	11.2	57	19.9	90	15.5
50 –79%	104	35.4	121	42.0	225	38.7
80-119%	103	35.0	69	23.9	172	29.5
120%>	54	18.4	41	14.2	95	16.3
<b>TOTAL</b>	<b>294</b>	<b>100%</b>	<b>288</b>	<b>100%</b>	<b>582</b>	<b>100%</b>

Source: In-house Files 2000 and Year-to Date (YTD) October 10, 2001.

It should be noted that the majority of consumer loans were granted to single applicants. However, the income index used to evaluate these loans is based upon median family income. This has the effect of somewhat skewing the results towards low and moderate-income borrowers. Nevertheless, it appears that the credit union's lending is very well distributed to borrowers of various income levels, including those of low and moderate income. The credit union is therefore considered to exceed the standards for satisfactory performance for this category.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

The Massachusetts CRA regulation 209 CMR 46.00 allows credit unions whose membership by-laws provisions are not based on residence to designate its membership as its assessment area. Therefore, since Alpha Credit Union has defined its assessment area as its membership, as opposed to a geographical area, an evaluation of credit extended within defined geographic areas was not conducted.

#### **5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

##### **REVIEW OF COMPLAINTS**

Alpha Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

##### **FAIR LENDING POLICIES AND PRACTICES**

The credit union has adopted a formal Fair Lending Policy as part of its Lending Policy. The policy encompasses the guidelines set forth in the Division of Banks Regulatory Bulletin 2.3 - 101.

The credit union is composed of four full-time employees and one part-time employee. The marketing activity focuses upon lobby brochures and statement stuffers. Due to the close proximity of the credit union to its membership, the office is constantly busy and information is easily disseminated to the membership on a personal basis. An example of this is the recent addition of the offering of "Debit Cards". This product was developed in response to the member's inquiries and concerns during visits. The credit union also publishes a newsletter "Alpha Bits" which provides information on products and services as well as helpful information concerning financial and credit issues. The credit union has established a website [www.bidmc.harvard.edu/alpha](http://www.bidmc.harvard.edu/alpha), which includes all products and services, offered. The credit union has a second review policy where the credit committee completes a second review of denied loan applications to ensure that credit is being granted in accordance with credit union policies and applicable laws.

Due to the credit union's limited resources, it is not expected that all aspects of fair lending requirements would be addressed. The day-to-day operations and the rapport established between credit union personnel and the membership indicate no evidence of disparate treatment.

## **OTHER FACTORS**

Alpha Credit Union makes a concerted effort to provide credit counseling and assistance to members whose credit ratings have been damaged. The credit union has established a policy of attempting to work out delinquent debt and has originated debt consolidation loans for individuals whose debts with other institutions have become delinquent or are in default. During the period examined, at least 9 loans of this nature were made. The credit union has attempted to work with these individuals to ensure that the new loan is kept current. Given the credit union's size and resources, its attempt to address the pressing needs of its members has contributed to the overall rating of High Satisfactory.

**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**ALPHA CREDIT UNION**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 10, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.